

**GOVERNMENT OF INDIA
FINANCE
LOK SABHA**

UNSTARRED QUESTION NO:5063

ANSWERED ON:11.05.2007

COLLECTION OF SERVICE TAX ON SELECTED SERVICES BY STATES

Singh Shri Rakesh

Will the Minister of FINANCE be pleased to state:

- (a) whether the Technical Committee on right to collect service tax on selected services has given its report;
- (b) if so, whether the Government has arrived at any decision on the issue of giving the States the right to collect service tax on selected services of intra-State nature;
- (c) if so, the details thereof; and
- (d) if not, the reasons therefor?

Answer

MINISTER OF THE STATE IN THE MINISTRY OF FINANCE (SHRI S.S. PALANIMANICKAM)

(a): The issue of 'Giving the States the right to collect Service Tax on selected services of intra-State nature' was being discussed with the States in the context of working out a package for compensating the States for the revenue loss as a result of the phasing out of the Central Sales Tax (CST). The Empowered Committee of State Finance Ministers (EC) had constituted a Technical Committee of State Commissioners of Commercial Taxes to work out various possible options for compensation of revenue loss on account of phasing out of CST. This Committee submitted its Report in May, 2006. This was followed by several rounds of discussions on various issues between the Central Government and the EC and finally, a consensus was arrived at in the Meeting of Union Finance Minister with the State Finance Ministers held on 22.02.2007.

(b) and (c): As per the consensus arrived at with the States, the Central Government has agreed for transfer of 77 Services of intra-State nature to the States for collection and appropriation of the tax revenue, out of which 33 Services are presently being taxed by the Centre. The levy of Service Tax on these Services shall, however, continue to remain with the Central Government, reflecting the current Constitutional provisions. Further, in view of the request of the States that the Centre may continue to collect the Service Tax on these Services for one more year (i.e. during 2007-08) as they need at least one year's time to set up administrative machinery for collection of service tax, the Central Government shall continue to collect the tax revenue during 2007-08 and the amount shall be released to the States through the budgetary process.

(d): The question does not arise.